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December 12, 2006

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **THE COMMUNITY COLLEGE FOUNDATION CONTRACT -
WORKFORCE INVESTMENT ACT YOUTH PROGRAM**

We have conducted a program, fiscal and administrative contract review of The Community College Foundation (TCCF or Agency), a Workforce Investment Act (WIA) Program service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with TCCF, a private non-profit organization, to provide and operate the WIA youth program. The WIA youth program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. TCCF's offices are located in the First and Second Districts.

TCCF is compensated on a cost reimbursement basis. TCCF's contract was for \$161,343 for Fiscal Year 2005-2006.

Purpose/Methodology

The purpose of the review was to determine whether TCCF has complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible youth participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

TCCF needs to repay DCSS \$2,635. Specifically, TCCF did not maintain sufficient documentation to support the eligibility of all ten youth participants reviewed to receive program services. As a result, TCCF over billed DCSS \$1,539 for direct services provided to the ten individuals. TCCF also billed DCSS \$1,001 for prior year's expenditures and did not maintain appropriate supporting documentation for one expenditure, totaling \$95.

TCCF did not always comply with the WIA and County contract requirements. Specifically, TCCF did not:

- Complete Individual Services Strategy (ISS) plans for two (20%) of the ten participants.
- Discuss the ISS plans with four (40%) of the ten participants on a monthly basis.
- Maintain supporting documentation for services provided to all ten youth participants sampled, such as participants' timecards for subsidized employment, or signed receipts by the participants for supportive services.
- Administer the post-assessment exams within one year of the pre-assessment exams for five (50%) of the ten youth participants.
- Accurately report the program activities on the Job Training Automation (JTA) system for eight (80%) of the ten participants.

In addition, TCCF inappropriately used WIA funds to provide subsidized work experience for one participant at the "Girls Gone Wild" organization, to pay for trips to Catalina Island, the Laser-tag center, and other amusement parks, as well as gifts, which are all disallowed under WIA guidelines.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with TCCF on October 24, 2006. In their attached response TCCF concurred with our findings and recommendations. We also notified DCSS of the results of our review and will follow-up our recommendations during next years' monitoring review.

We thank TCCF for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
David R. Springett, President, The Community College Foundation
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
THE COMMUNITY COLLEGE FOUNDATION
FISCAL YEAR 2005-2006**

ELIGIBILITY

Objective

Determine whether The Community College Foundation (TCCF or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We sampled 10 (27%) program participants from a total of 37 participants that received services between July 2005 and February 2006 and reviewed their case files for documentation to confirm their eligibility for WIA program services.

Results

TCCF did not maintain appropriate documentation to support the eligibility of all ten youth participants to receive program services. Specifically, TCCF did not maintain proof of income, age, selective service registration, residence, employability, or documentation to support the participant's barrier in all ten of the participants' case files as required by WIA guidelines. The prior year's monitoring report also noted that TCCF did not maintain appropriate documentation to support the participants' eligibility to receive program services.

The amount billed to the Department of Community and Senior Services (DCSS) for direct services provided to the ten eligible participants totaled \$1,539. In addition, the ten ineligible participants may have incurred indirect costs, such as staff time, and other direct costs that were not documented in the participants' case files.

Recommendations

TCCF management:

- 1. Repay DCSS \$1,539 and any additional costs incurred in providing services to the ten ineligible participants.**
- 2. Ensure that staff obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.**
- 3. Review the eligibility of all program participants and repay DCSS for services provided to participants that were ineligible to receive services.**

BILLED SERVICES/CLIENT VERIFICATION**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 10 (27%) program participants that received services during July 2005 through February 2006. We also interviewed four of the program participants/guardians.

Results

The four participants/guardians interviewed stated that the services the participants received met their expectations. However, TCCF did not comply with various WIA guidelines. Specifically, TCCF did not:

- Complete the Individual Services Strategy (ISS) plans for two (20%) of the ten participants.
- Discuss the ISS plans with four (40%) of the ten youth participants on a monthly basis.
- Maintain supporting documentation for services provided to all ten participants sampled, such as participants' timecards for subsidized employment, or signed receipts by the participants for supportive services.
- Administer the post-assessment exams for five (50%) of the ten youth participants within one year of the pre-assessment exams.
- Accurately report the program activities for eight (80%) of the ten participants such as supportive services and the completion of leadership training activities, on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

In addition, TCCF inappropriately used WIA funds to provide subsidized work experience for one participant for the "Girls Gone Wild" organization and trips to Catalina Island, the Laser-tag center, and other amusement parks. WIA funds were also inappropriately used to purchase gifts, tickets to sporting events and meals, which are all disallowed under WIA guidelines. Based on the limited documentation provided, we could not determine the total disallowed cost.

Subsequent to our review, TCCF provided the completed ISS plans for the two participants and the post-assessment for one of the five participants noted above.

Recommendations

TCCF management:

- 4. Ensure that staff complete and discuss the ISS plans with the participants on a monthly basis.**
- 5. Maintain supporting documentation for services provided.**
- 6. Ensure that the post-assessment is administered within one year of the pre-assessment.**
- 7. Ensure that staff accurately update the JTA system to reflect the participants' program activities.**
- 8. Review the participants' case files, financial records, and other documentation to determine the total unsupported and disallowed costs and repay DCSS.**
- 9. Ensure that the services provided to the participants are appropriate and allowable under WIA.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's January 2006 bank reconciliation.

Results

TCCF's cash receipts and revenues were properly recorded and deposited in a timely manner. However, TCCF's bank reconciliation was not completed as required. Specifically:

- The bank reconciliation was not reviewed.

- The detailed listing of the outstanding items, which totaled \$76,724, was not included in the bank reconciliation.

TCCF also does not require checks to be signed by two authorized personnel as required by the County contract. According to TCCF's accounting manual, checks under \$50,000 require only one signature.

TCCF's Petty Cash Procedures indicate that each location will not exceed \$1,000 of petty cash on hand at any time. However, the County contract limits the petty cash fund amount per location to \$500, and requires the contractors obtain written approval from the County to establish a petty cash fund to exceed \$500.

Recommendations

TCCF management:

10. Ensure that the bank reconciliations are signed by the reviewer and ensure that the reconciling items are identified and resolved in a timely manner.
11. Ensure that all checks are signed by two authorized employees.
12. Decrease the petty cash fund amount or obtain approval from DCSS to maintain the petty cash fund at \$1,000.

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and other documentation to support eight non-payroll expenditures transactions, totaling \$3,119 (31%) of \$9,936 billed by the Agency for July, August and September 2005.

Results

TCCF billed DCSS \$1,001 for prior year's expenditures. In addition, TCCF did not maintain appropriate supporting documentation for one expenditure, totaling \$95.

Recommendations

TCCF management:

- 13.Repay DCSS \$1,096.
- 14.Ensure that expenditures charged to the WIA program are for costs incurred during the contract period.
- 15.Ensure the appropriate supporting documentation is maintained for all expenditures.

INTERNAL CONTROLS**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

TCCF maintained sufficient internal controls over its business operations. However, TCCF did not comply with all County contract requirements. Specifically, TCCF did not post a non-discrimination policy or maintain a WIA program procedural manual.

Recommendations

TCCF management:

- 16.Post a non-discrimination policy.
- 17.Develop and distribute the WIA program procedural manual and ensure that staff comply with the program requirements.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether TCCF's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

Verification

We inventoried the two (100%) WIA funded items, totaling \$2,562.

Results

TCCF used the equipment purchased with WIA funding for the WIA program. In addition, the items were safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed payroll expenditures for five employees in December 2005, totaling \$7,351, to the payroll records and time reports. We also interviewed one employee.

Results

TCCF's employee timecards did not indicate the hours staff worked on the WIA program as required. According to the County contract, timecards must indicate total hours worked each day by program. The prior year's monitoring report also noted that the employees' timecards did not allocate the hours worked by program each day.

TCCF did not provide the personnel files for the four employees assigned to the WIA program. TCCF management stated that the personnel files are kept in their Sacramento office. As a result, we could not determine whether Agency staff performed a criminal record clearance, validated qualifications and citizenship, or maintained copies of valid driver's license or insurance, etc. The County contract requires contractors to provide all program related records, reports, participant files, and other

documentation requested by the County, available for inspection and audit by any federal, State or County agency upon request, for three years from the termination date of this contract.

Subsequent to our review, TCCF completed timecards that reflected the amounts billed. In addition, TCCF's Human Resources personnel certified that the personnel files of all four employees assigned to the WIA program contained a criminal record clearance, proof of employability, an application and resume, and annual performance evaluations. However, TCCF did not maintain a copy of the driver's license and proof of automobile insurance in one (25%) of the four employees' personnel file.

Recommendations

TCCF management:

18. Ensure that employees' timecards indicate the hours worked each day by program.

19. Ensure that required documentation is maintained in the personnel files.

COST ALLOCATION PLAN

Objective

Determine whether TCCF's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed TCCF's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during July, August, and September 2005 to ensure that the expenditures were properly allocated to the Agency's appropriate programs.

Results

As previously indicated, TCCF's payroll expenditures were not supported with timecards. As a result, we could not determine whether the payroll expenditures were appropriately allocated to the program.

Recommendation

20. TCCF management allocate payroll expenditures based on actual costs.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by a CPA firm contracted by the County.

Verification

We verified whether the outstanding recommendations from Fiscal Year (FY) 2004-05 monitoring review were implemented. The report was issued in January 2006.

Results

The prior year's monitoring report contained 14 recommendations. TCCF implemented ten of the fourteen recommendations. As indicated earlier, two of the four outstanding findings were also noted during our monitoring review. The remaining recommendations required the Agency to provide supporting documentation for the indirect expense allocation, reimburse DCSS for the unbudgeted expenditures incurred, and provide a general ledger for FY 2004-05.

Recommendation

21. TCCF management implement the outstanding recommendations from FY 2004-05 monitoring report.

The Community College Foundation



November 9, 2006

J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Avenue, Suite #51
Alhambra, CA 91803

Dear Mr. McCauley:

Please find enclosed our response to the report dated November, 2006 regarding the on-site review of our Workforce Development Program contract with the County of Los Angeles Community and Senior Services (CSS).

We appreciate the opportunity to provide our corrective action report for each finding. A description of the action we will be taking to prevent these findings in the future can be found below.

Eligibility- TCCF will ensure for FY 06-07 that all eligible participants have appropriate documentation of proof of eligibility in their case files. TCCF case managers have been trained on WIA proper procedures and guidelines for collecting documentation to support eligibility.

Billed Services/Client Verification- TCCF will ensure for FY 06-07 that staff complete and discuss the ISS plans with all participants on at least a monthly basis. TCCF will ensure that supporting documentation is placed in each participant's case file for all services provided, that each participant is administered a post assessment within one year of their pre assessment. Our new case manager has received training by DCSS on the JTA system and will ensure that all participant activity will be properly recoded. The Program Manager will be closely monitoring the files and activities of the participants to ensure all activities are WIA approved.

Cash/Revenue- TCCF will ensure that our bank reconciliations are signed by the reviewer and that our reconciling items are identified in a timely manner for FY 06-07. TCCF has requested from DCSS formally, to have the two signature requirement for checks, reduced to one, and to have the petty cash amount increased to \$1,000 from \$500, as our Los Angeles office houses several programs and requires more than \$500 on hand cash.

Expenditures/Procurement- TCCF will not bill services from past FY, we will only bill for services within the current FY. TCCF will ensure that all invoices are substantiated with proper supporting documentation for all expenditures.

The Community College Foundation

Internal Controls- The non-discrimination policy poster which was previously posted in the staff copy room has been moved to a more public location in the main hallway of the office lobby. A WIA program procedure manual will be developed for the staff and will be accessible for their use; it will include WIA directives and policies; all WIO staff will be required to read this manual for FY 06-07.

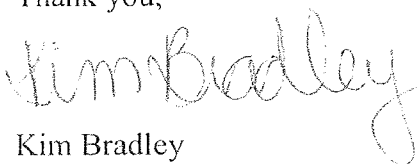
Payroll and Personnel- For FY 06-07, TCCF will provide timecards with documentation of proof that the employee is allocated to the WIA program. All personnel records will be kept up to date and those employees who require a CDL and auto insurance will have that documented; however, driving is not a requirement for all of our employees.

Cost Allocation Plan- Please see plan above.

Prior Year Follow Up- TCCF for FY 06-07 will implement the outstanding recommendations from FY 04-05 monitoring report.

TCCF would like to thank Yoon for taking the time with me to discuss the findings in detail; I especially appreciated her patience as this is my first audit experience. Please let me know if I have missed anything or if you have any questions, and I will attempt to address it as soon as possible.

Thank you,

A handwritten signature in cursive script that reads "Kim Bradley".

Kim Bradley
Program Manager
Statewide Workforce Development Program
Statewide Independent Living Skills Program